What are SWING trades and how should we trade them?

Basics

Swing trades are mainly based solely on technical analysis using the Alpha Prime Suite. Trades are posted where we see a confluence of entry triggers. Entry triggers are indications of price movement, for example breakouts, divergences, or an oversold rsi. We look to see charts which have multiple entry triggers and then set an Entry Zone, Take Profit Targets and a Stop Loss. Swing Trades are also sometimes based on fundamental analysis. News relating to coins which may cause price movement.

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Theory

Swing Trades are often the entry point for a lot of BlockParty Traders. They are simple and require only a small amount of knowledge initially. As you progress and become more adept at trading or even begin to develop your own personal trading style they can be adapted to suit your needs. We'll come back to this later.

We look to publish 2-3 swing trades per day where we see good entires and price movement. We anticipate you having up to 15 of these trades open at a time. The frequency is important as we are often looking to take advantage of bullish periods.

The trades are based on current TA so we are looking at the here and now and the immediate future. We are not taking a long term projection into account when opening these trades. For example we may be long term bearish on Dogecoin but see the ability to make a quick 10% in a swing trade.

Swing trades should form part of a diverse investment strategy. They are primarily used as a way for new traders to quickly build some capital, as a way to determine your personal risk tolerance, your attitude towards loss (it's a big part of trading!) as well as teaching you the importance of clearly defined exit strategies. They sit apart from our DCA bots and HODLs in their active use of clearly defined and pre-set stop losses.

Employing stop losses allows you to remain liquid in market corrections or crashes or to simply take another opportunity quickly if our TA proves to be wrong (it does happen!).

For more advanced traders swings can be a consistent profit source, swing trading will in good market conditions often out profit automated trading. Ideal conditions for swing trading are a bullish btc with declining dominance. I.e we want to see Bitcoin prices increasing and the profits from BTC flowing into more speculative alt positions. We have a video on this market cycle on our YouTube channel.

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Allocation

Because we are going to have multiple positions open and because we will be trading with Stop Losses we look to allocate a small % of our total Swing trade allocation to each trade.

Our recommendation is to allocate 5% of your total Swing Allocation to each position.

The idea here is that with 15 trades open at 5% you will have 75% of your capital in open positions at any one time with 25% liquid should you need it elsewhere.

Because Swings are designed to be quick and help you retain liquidity we employ stop losses. We set our stops usually around -15%. In a market crash if your 15 swing trades all hit stop loss then you will lose 15% of your 5% allocation on each of the 15 trades meaning that a worst case scenario day for a swing trader is a 11.25% loss of their total allocated swing trade amount.

Trades will be posted in USDT, BTC and USDT Perpetual Futures pairings. Although the chosen base currency will depend on the market as a basic set up we would suggest having an equal split of BTC and USDT with about 10-15% of your total allocation for Futures trades (should you wish to trade with leverage).

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Entry Zones

Because swing trades are based on confirmed market movement our first entry point is frequently the current market price. We then set a secondary entry point below the market price creating an entry zone.

Entry zones serve several functions within swing trades.

1) Often a trade will fall back before moving upwards. This is particularly true of pullbacks and breakouts. Buy anticipating this with an entry zone we decrease our average buy price which increase our profit when we hit our target as we bought in further from the target.

2) If the market moves against us or if our analysis proves to be incorrect and we hit stop loss the reduced average buy price reduces our loss as we bought in closer to the stop loss.

We suggest you set your entries within the published entry zone so for example if you entering this trade:

ETHUSDT

Entry Zone:
2290 - 2300 (current market price)

We would expect you to set 4 buys at 2300, 2297.5, 2292.5 and 2290 splitting your investment equally between them.

As you develop your own style you may wish to alter this split, for example I personally allocate 50% of my investment to the market order with only one buy in the entry zone and a buy at the bottom of the entry zone example;

50% at 2300 (market price), 25% at 2295, 25% at 2290%.

This allows me to profit more if the price doesn't retrace whilst still having the benefits of entry zone.

Think through your preference before setting buys.

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Take Profit

We usually employ three take profit targets. These are designed to be achievable quickly. Again, like the technical analysis they are not designed to indicate our maximum expectations for the coin.

If for example we set a TP 30% higher than current price, we do not believe that that is the ceiling price for the asset or even that it represents a high with the given market cycle or even that we think that price reflects the actual value of the asset we simply see that as being and achievable profit within a short time frame allowing us to profit, close the position and move on to another trade opportunity.

TP's are derived from the charts. They are not arbitrary numbers they are chosen to be high points of certain price actions particularly points of resistance. We also deliberately place them below these point of price action to increase the chances of us hitting them. For example we never select a round number like 10 we would select 9.97 as psychologically we expect the market to react to a round number.

Multiple TP's like this require you to make a decision when allocating capital between the two targets. As a general rule we suggest:

Bullish (mood, market or trader): 25% TP1 / 25% TP2 / 50% TP3
Bearish (mood, market or trader): 75% TP1 / 15% TP2 / 10% TP3

We look to place one target under 10% from entry. Once this target is hit we consider the trade a success.

We anticipate that from this point you can manage and exit the trade in profit even in adverse conditions. For example any trade in the green should be closed in profit if we see Bitcoin price correcting or a surge in BTC dominance. We provide BTC updates to help you anticipate how to manage your open trades. There are tools available to help you achieve this. 3commas for example allows you to move the stop loss in open trades so once the first take profit is hit you can move the SL up to break even or even to a position of profit. This ensures that you cannot lose from the trade. Cornix has an automated SL which can be set to automatically reset to breakeven to achieve the same goal.

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Stop Losses

The key distinguishing factors of Swing trades are the timeframe, the narrow analysis and the Stop Loss.

As explained in allocation the Stop Loss is designed to allow you to exit positions with a small loss of capital. This is deemed preferable to capital being locked into trades that are below entry for long periods of time.

If liquidity does not matter to you and you want to minimise realised losses (realised as in the money has gone as opposed to unrealised losses where the money has purchased an asset that has declined in value) then you can simply remove the stop loss from your trade set up. However, as the analysis provided prior to the trade being issued is short term and because the trade is in no way based on the actual strength or true value of the asses being traded you will need to do your own analysis to evaluate how and when you will profit from leaving the trades open past the published stop loss.

As with take profits stool losses are based on the chart position of price action points, usually resistance. Where able we look to position stop losses on the other side of a resistance point. However, we do limit stop losses to single digits and so will where necessary place stop losses before natural resistance points (looking at previous candle depths and psychological prices) to maintain our aim of minimising realised losses.

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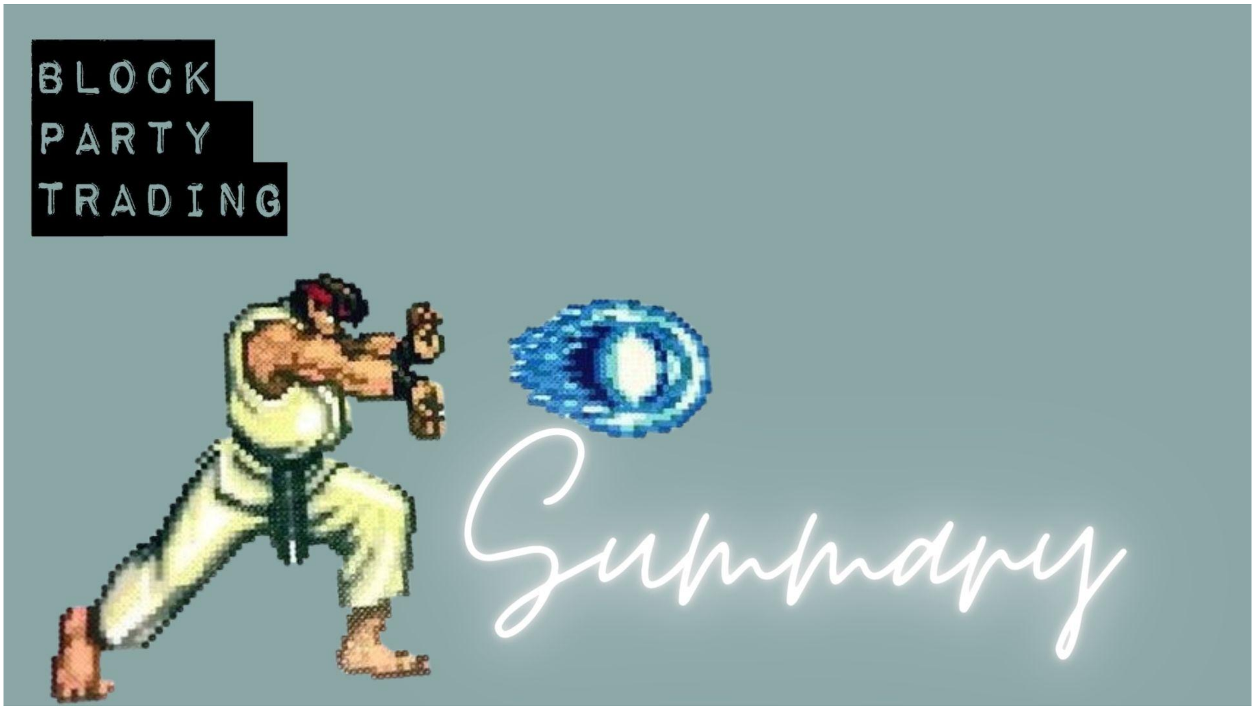
Futures

We publish trades in USDT and BTC pairs as well as for USDT Perpetual Futures. The basic principles above will be true of futures trades. We post our trades with 1x leverage as we do not recommend any level of leverage, we consider that it would be your decision based upon your personal risk profile.

A good way to use leverage is to increase your base to your regular investment using leverage, for example if you wished to invest $100 you could use $10 at 10x Leverage. This minimises risk and creates extremely efficient capital usage.

Because of the risk of liquidation it is always recommended that in Futures positions you utilise trailing Stop Losses as soon as your first target is hit raise your SL to zero to both lock in profits and remove liquidation risk.



Summary

Swings are short term trades designed to provide quick profit and maintain your liquidity (especially important when using DCA bots).

Swings are primarily identified by their use of a defined Stop Loss. Stop Losses are a tool you can use as you see fit. Either to escape bad markets and maintain liquidity and to lock in profits. You can remove Stop Losses if that better suits your trading style.

Manage your trades as you see fit and be open to adapting your style to market conditions. For example closing trades in profit if the market turns, not entering trades if you are unsure of the overall market, and managing your allocation so that any potential losses are easily recoverable.